



URBAN IQ

# Property Market Snapshot

MARCH 2023

RPM<sup>2</sup>

Urban IQ

# UDIA RESEARCH AND MARKET INSIGHTS

## March 2023

URBAN IQ is a research report for the Victorian urban development industry.  
[www.udiavic.com.au](http://www.udiavic.com.au)

Thank you to UDIA platinum partner

# RPM<sup>®</sup>

for providing the information contained within this report.

#### **Disclaimer**

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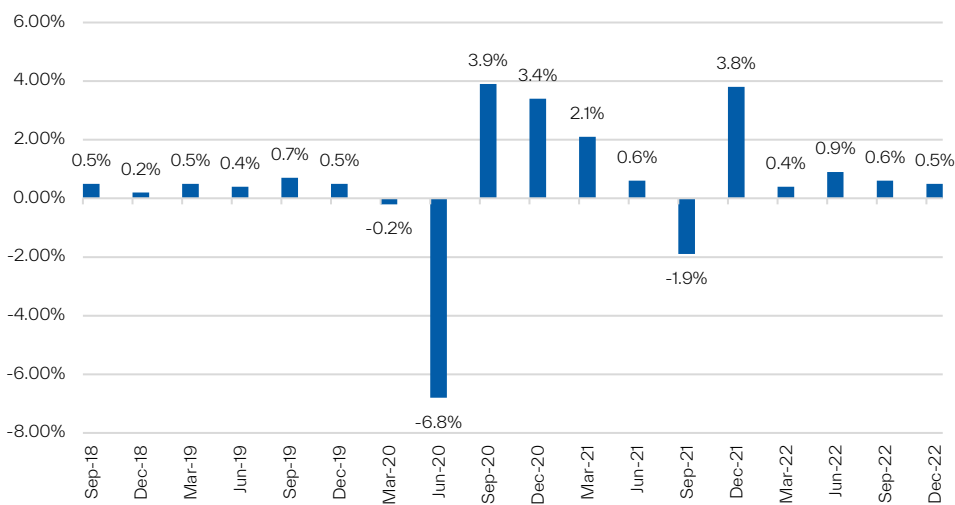
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# Economic Overview

## GROSS DOMESTIC PRODUCT

% Change

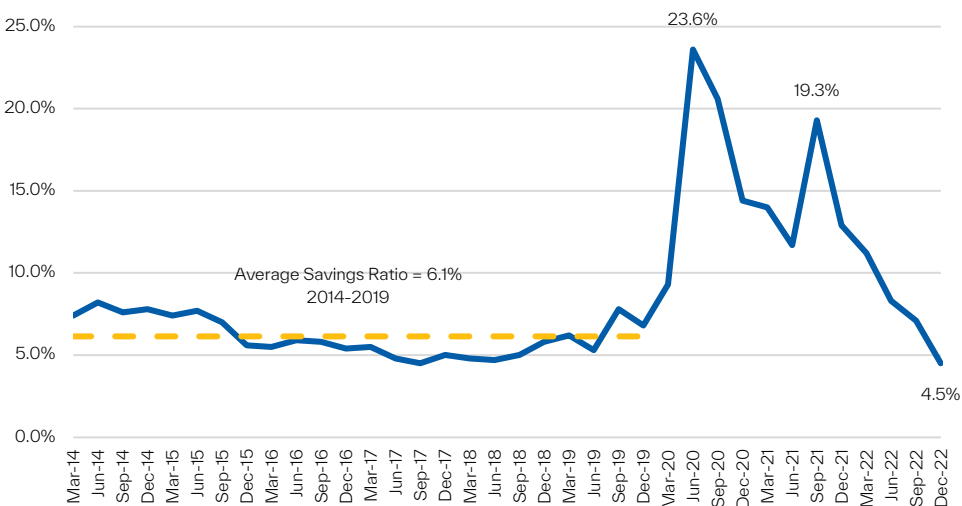


Source: Australian Bureau of Statistics

Despite rapidly rising interest rates, declining real wages and weak sentiment, national GDP still increased by 0.5% in Q4 2022.

## HOUSEHOLD SAVINGS RATIO

Ratio

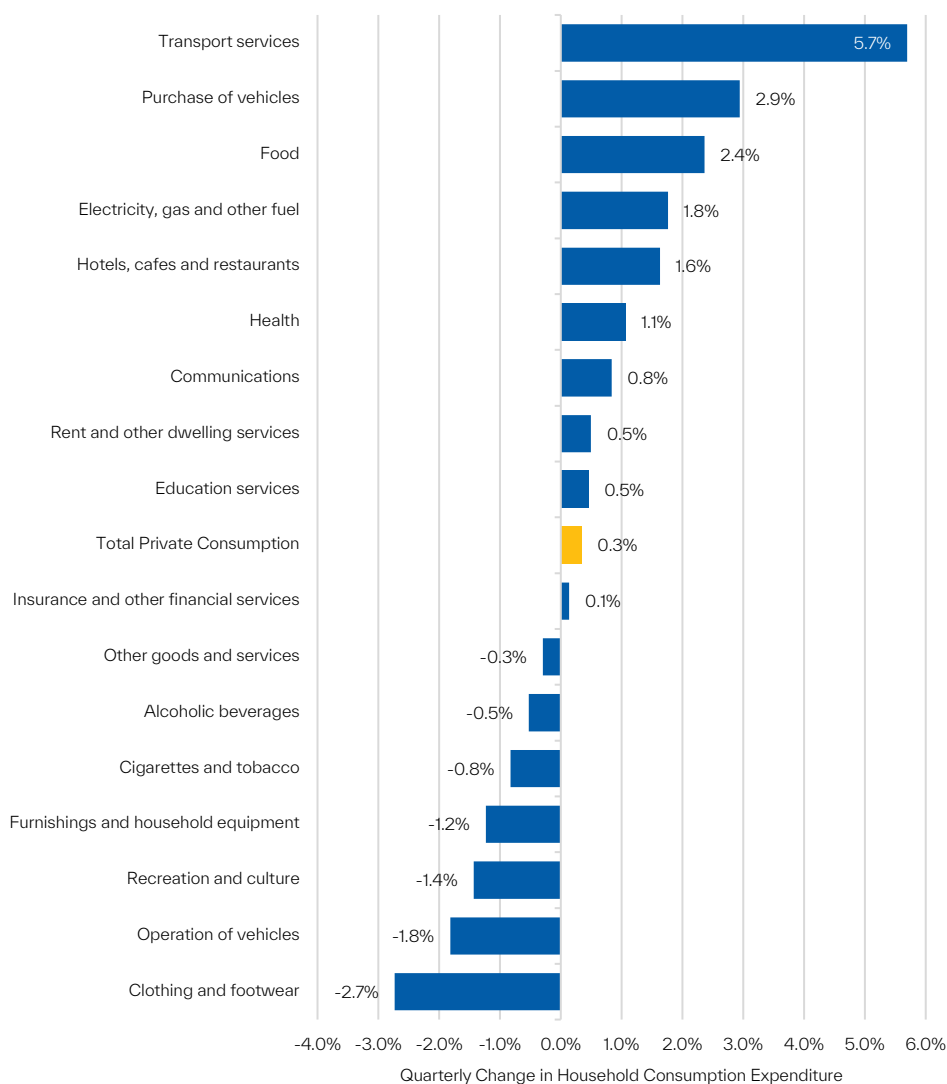


Source: Australia Bureau of Statistics

The household savings rate fell to just 4.5% in Q4. This is the lowest point since 2008, coinciding with the last cash rate peak of 7.25% and borrowing rates above 9%.

## HOUSEHOLD CONSUMPTION

Quarterly Change in Household Consumption Expenditure



Consumption has pivoted to non-discretionary items in response to deteriorating family finances, demonstrated by growth in food, utilities, health and education.

Source: Australia Bureau of Statistics

## INTEREST RATES

**3.60%** Cash Rate (Mar-23)

**7.77%** Standard Variable Rate for Owner Occupiers (Feb-23)

**6.22%** Discounted Variable Rate (Feb-23)

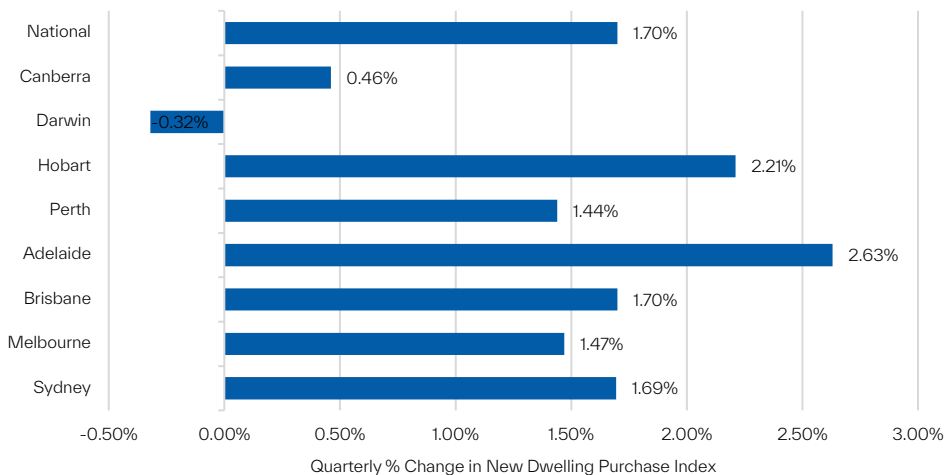
**5.95%** 3 Year Fixed Rate (Feb-23)

The RBA's decision to raise the cash rate by 25 basis points in both February and March this year has resulted in the highest cash rate in more than a decade. This is in response to CPI remaining high in Q4 at 7.83% on a rolling annual basis, well above the target 2-3% range.

Source: Reserve Bank of Australia

## CPI AND THE NEW DWELLING INDEX

### Quarterly & Change in New Dwelling Purchase Index



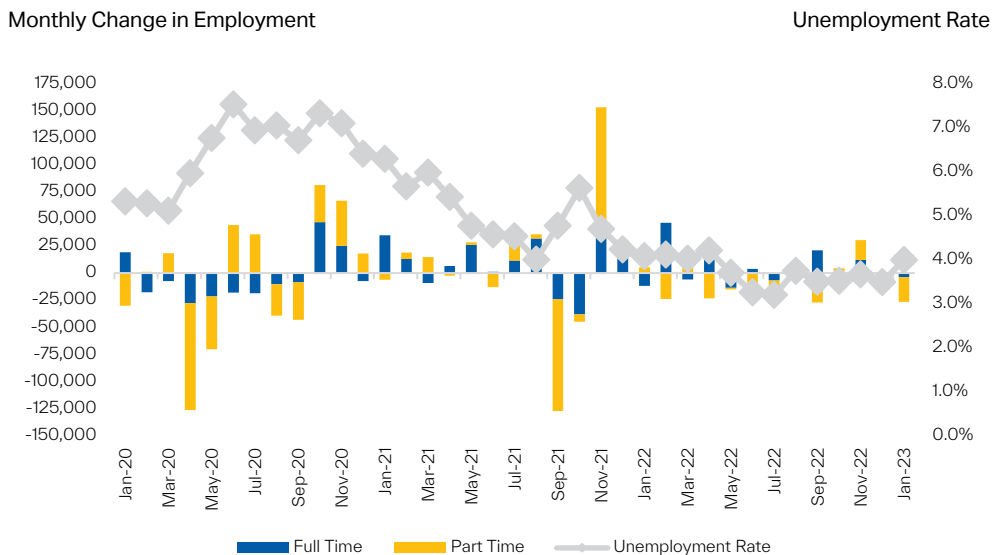
**7.83%**  
Australian CPI Q4 Y.O.Y

**1.70%**  
CPI Index for New Dwellings  
Q4 2022

**1.22%**  
CPI Index for Rents  
Q4 2022

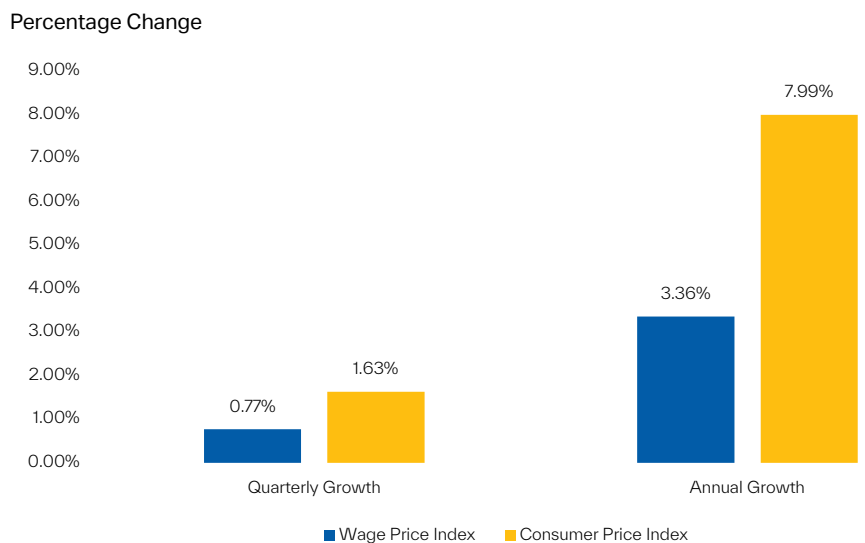
Source: Australian Bureau of Statistics

## LABOUR MARKETS



Indicators suggest a cooling in the labour market, with Victoria shedding 41,300 jobs across November and December. The resulting unemployment rate lifting to over 4% for the first time since April 2022.

## Wages vs. CPI

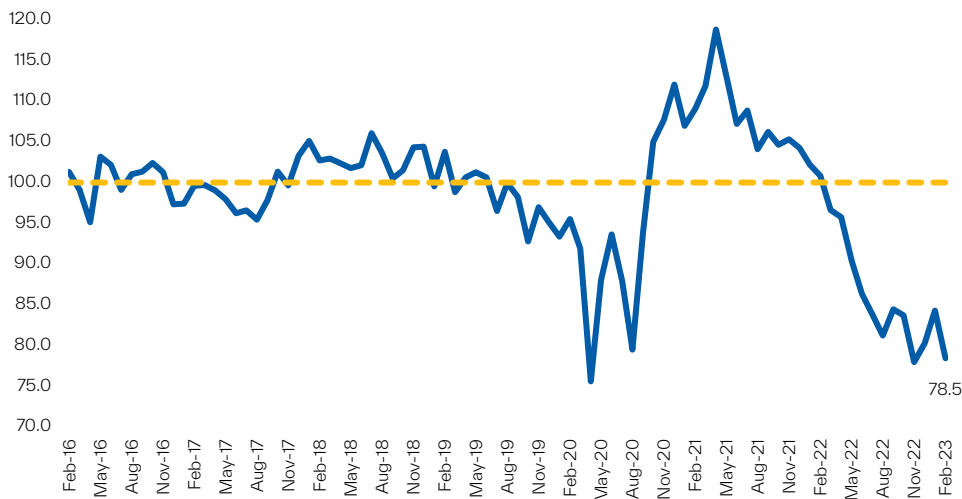


Victoria's wage price index rose by 0.77% over the quarter, and 1.63% annually, both below their respective CPI figures resulting in real wages falling.

Source: Australian Bureau of Statistics

## MARKET SENTIMENT

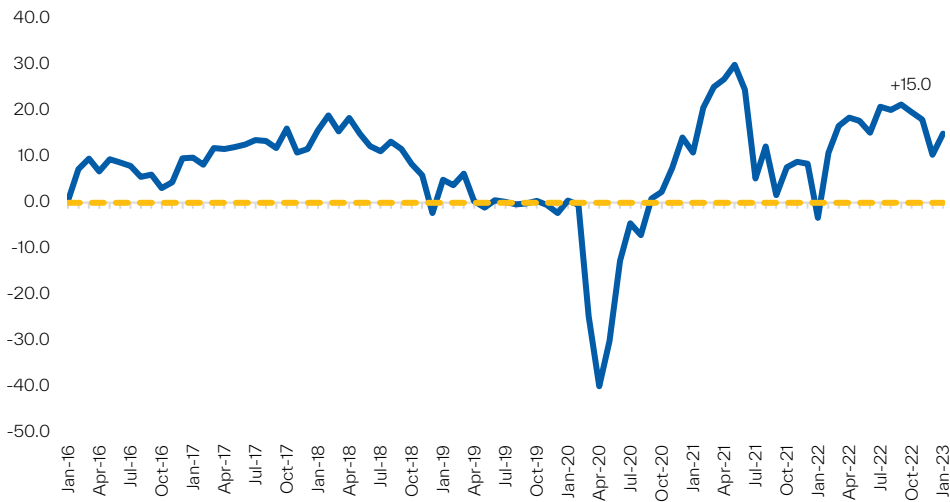
Consumer Sentiment - Index = 100



After a brief rally through the Christmas and new year period, consumers returned to pessimism following further rate hikes and an elevated CPI reading in December.

Source: Westpac-Melbourne Institute Consumer Sentiment Index

NAB Business Conditions Index



Business confidence improved after stagnating in Q4, with capacity utilisation and forward orders (a leading indicator) strengthening.

Source: National Australia Bank Business Survey



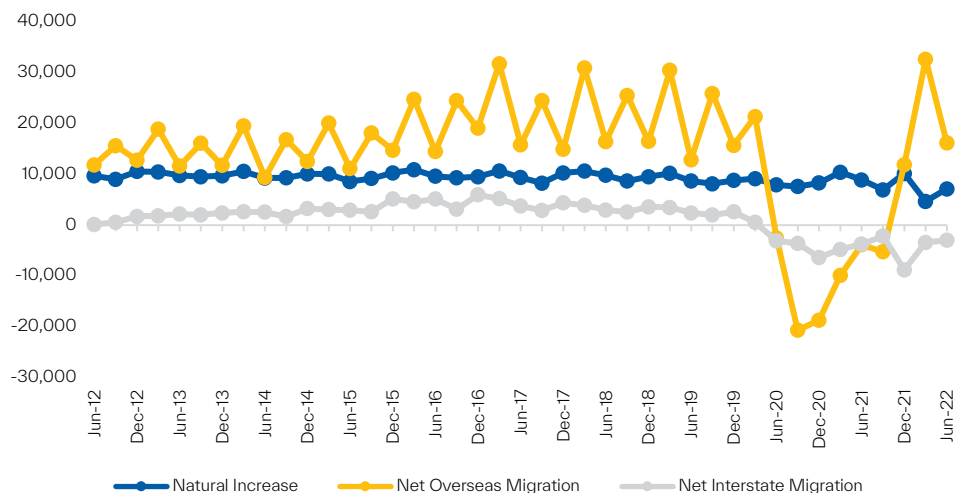
# Victorian Population

Victoria's population increased by 36,418 in Q3 2022 (latest available migration data), the highest increase for a three month period since Q1 2019 with students returning a primary driver.

## +36,418

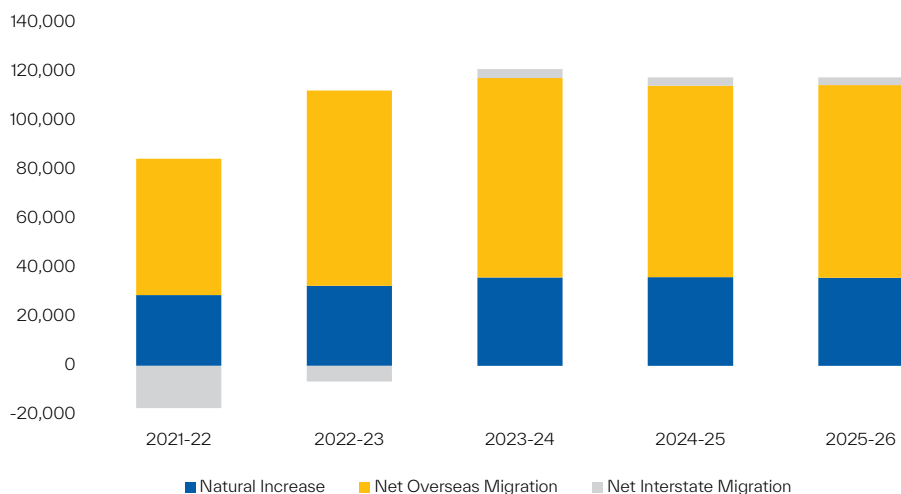
Victorian Population Growth  
Q3 2022

Population Components



Source: Australian Bureau of Statistics

Population Projections



Source: Australian Government Centre for Population

# Land Market Snapshot

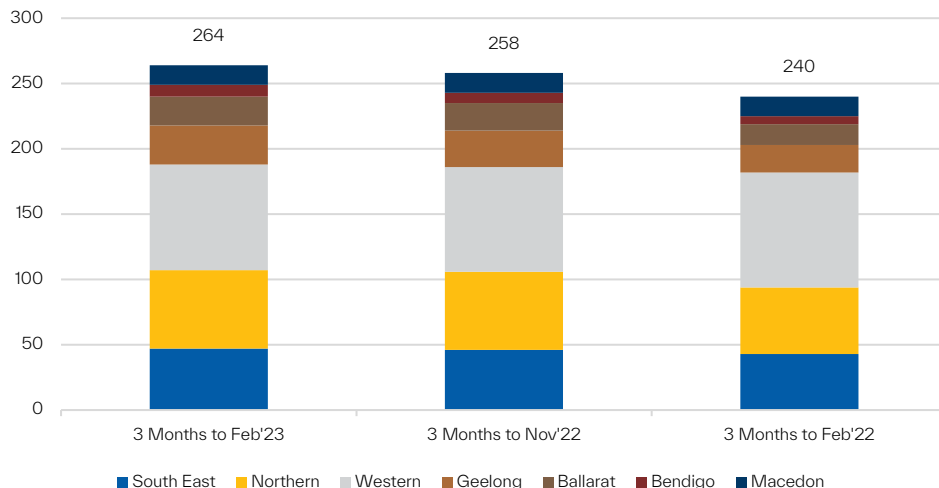


Growth areas included in land market analysis are:

- South East (LGAs of Casey and Cardinia)
- Northern (LGAs of Hume and Whittlesea, and Beveridge-Wallan area)
- Western (LGAs of Melton and Wyndham, and Bacchus Marsh area)
- Geelong LGA
- Ballarat LGA
- Bendigo LGA
- Macedon (LGA of Macedon Ranges and Mitchell (part))

### ACTIVE ESTATES

Count

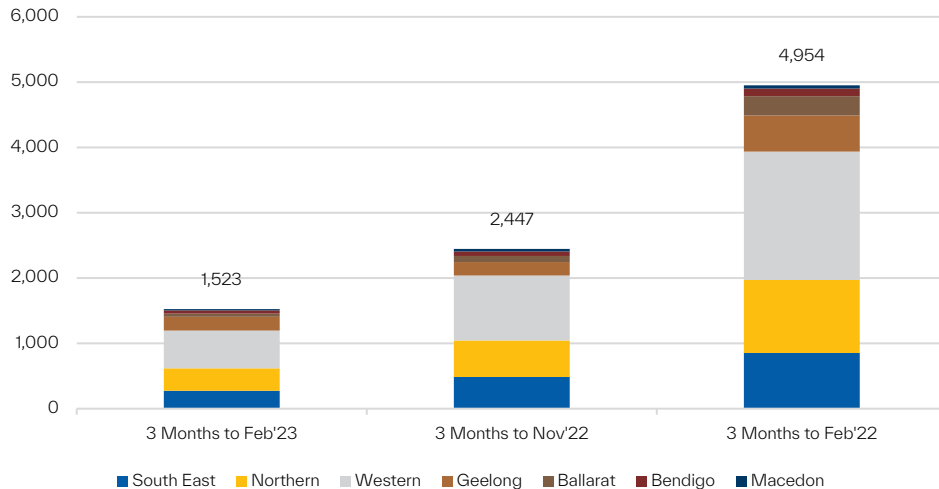


The Western Growth Corridor was the only region to experience a reduction in the number of active estates, compared to the same time last year.

Source: RPM Research, Data & Insights

### LOT SUPPLY

New Lot Releases

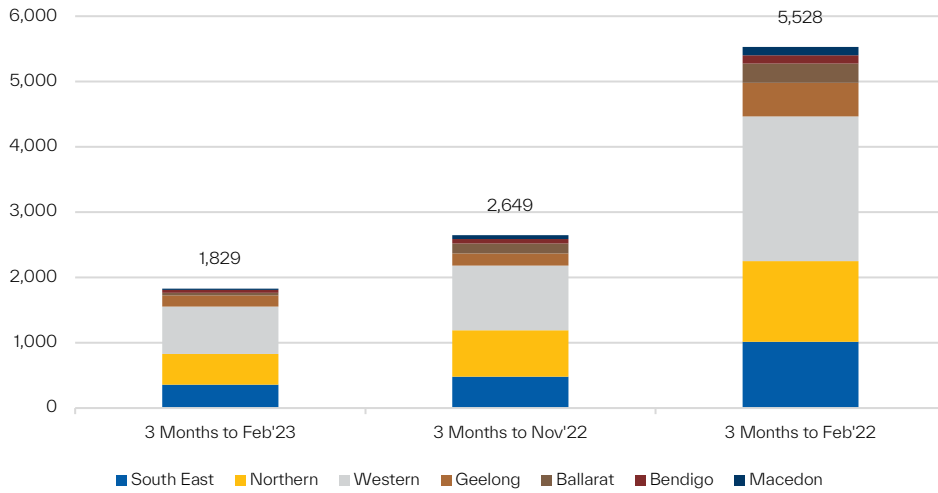


Despite total active estates increasing, new lot supply during the three months to February 2023 continued to diminish.

Source: RPM Research, Data & Insights

## LOT SALES

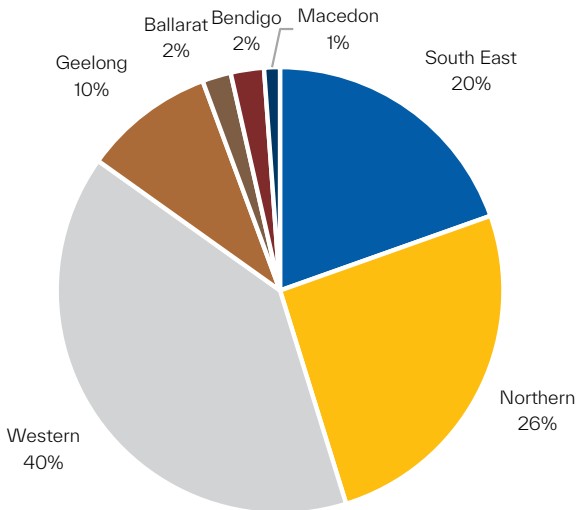
Gross Lot Sales



On going weak purchaser sentiment, and seasonal holiday impacts, combined to lead to gross sales contracting to 1,829 lots over the three months to February 2023.

Source: RPM Research, Data & Insights

## SHARE OF SALES BY CORRIDOR

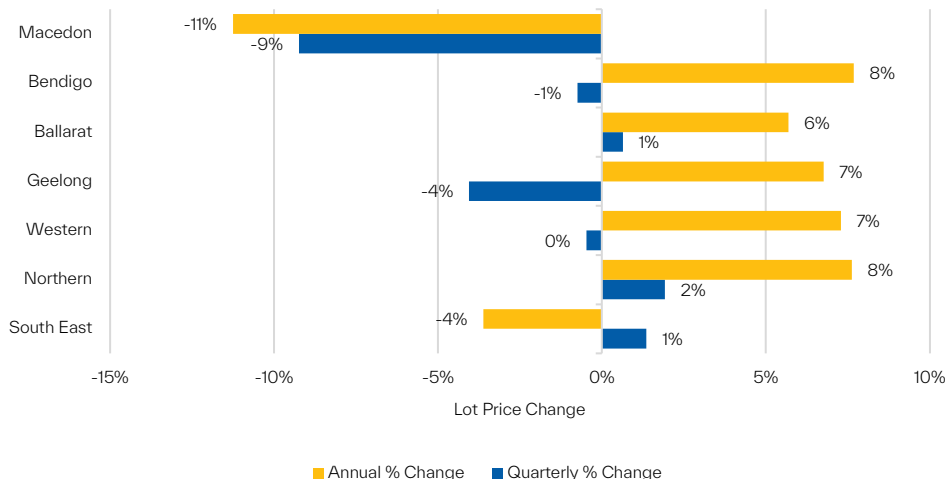


The Western Growth Corridor remains the dominant region for lot sales activity, while new home demand struggles for momentum in regional areas.

Source: RPM Research, Data & Insights

### LOT PRICE CHANGE

Percentage Change

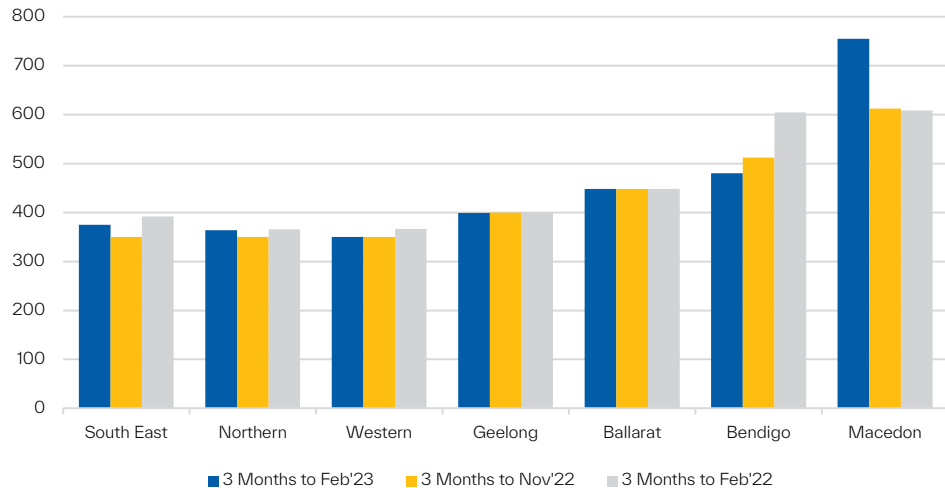


Recent quarterly movements in median lot values suggests prices are stabilising, with some downward pressure coming through.

Source: RPM Research, Data & Insights

### LOT SIZES

Median Lot Size (sqm)



Smaller lot sizes are becoming increasingly attractive among purchasers, used as a means to offset elevated construction costs.

Source: RPM Research, Data & Insights

# Melbourne Residential Market



**\$974,000**

Median House Price

-1.6% change from Q3 2022  
-13.4% from Q4 2021



**\$627,500**

Median Unit Price

-2.6% change from Q3 2022  
-9.1% from Q4 2021

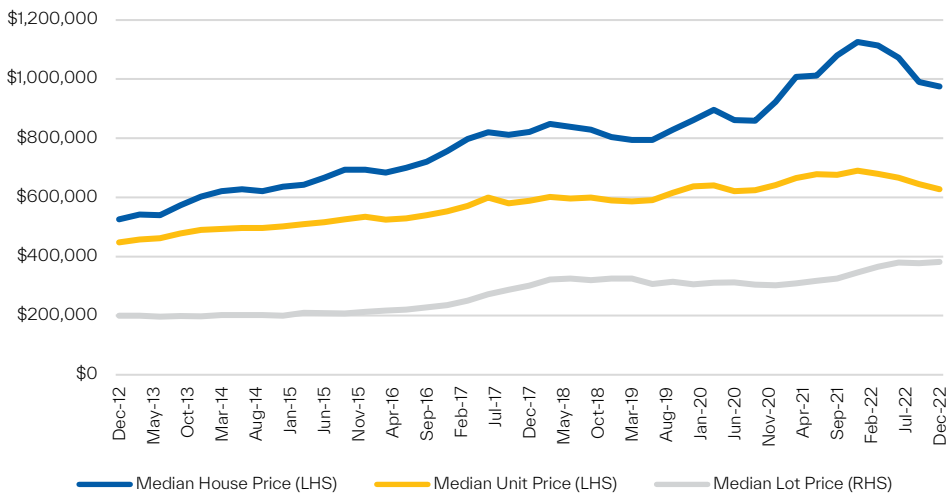


**\$382,000**

Lot Price

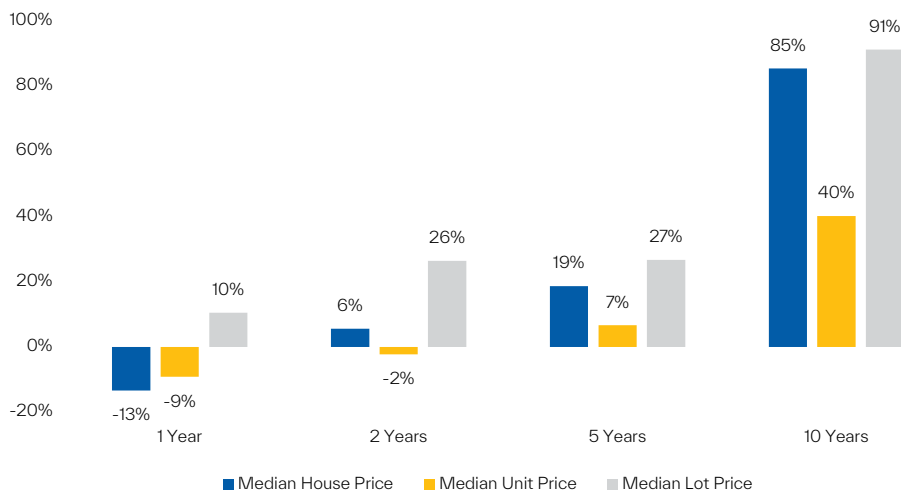
+1.3% change from Q3 2022  
+10.7% from Q4 2021

Median Price



The relative affordability advantage of the greenfield market continues to diminish as established house prices soften.

Price Change



Source: Real Estate Institute of Victoria & RPM Research, Data & Insights

# Building Activity

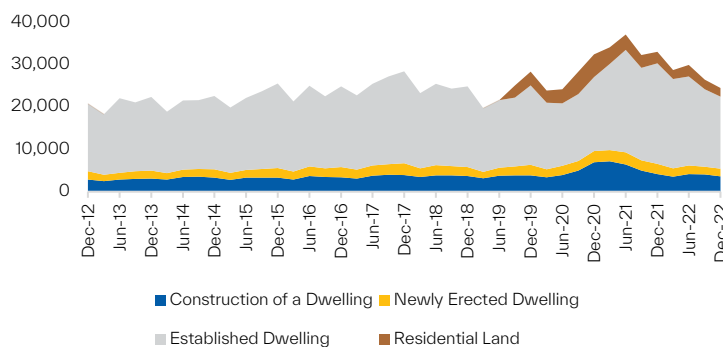
VICTORIA BUILDING AND FINANCE ACTIVITY



## 24,534

Total Owner Occupier Loan Approvals  
-25.9% vs. last quarter

New Loan Applications



Source: Australian Bureau of Statistics



## \$505,064

Average FHB loan size (+1.7%)

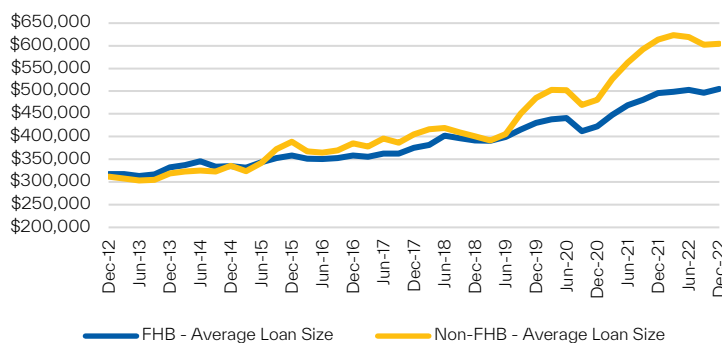
Reflecting a withdrawal of buyers who traditionally transact at the more affordable price brackets.

There is currently a 20% average loan size difference between first and non-first home buyers.

## Detached Home Approvals

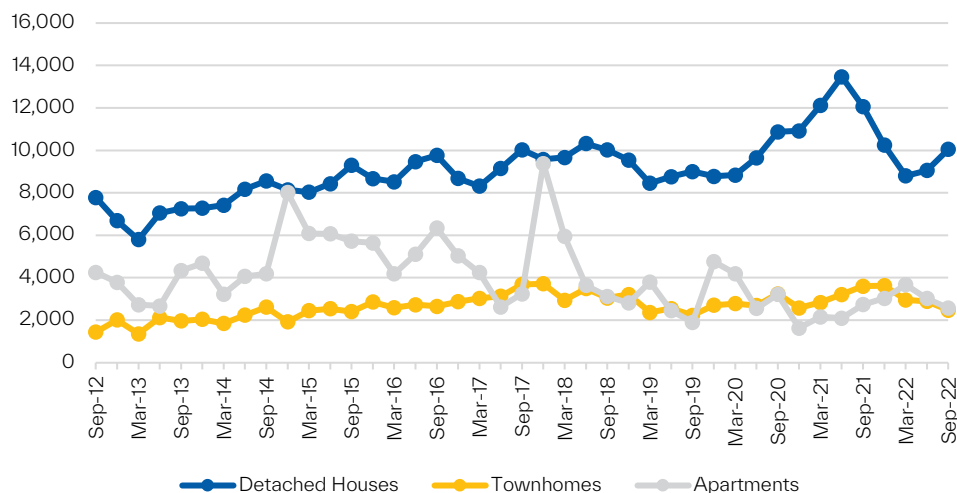
8,939 approvals, or a reduction of 10.9%.

Average Loan Value



## APPROVALS AND COMMENCEMENTS

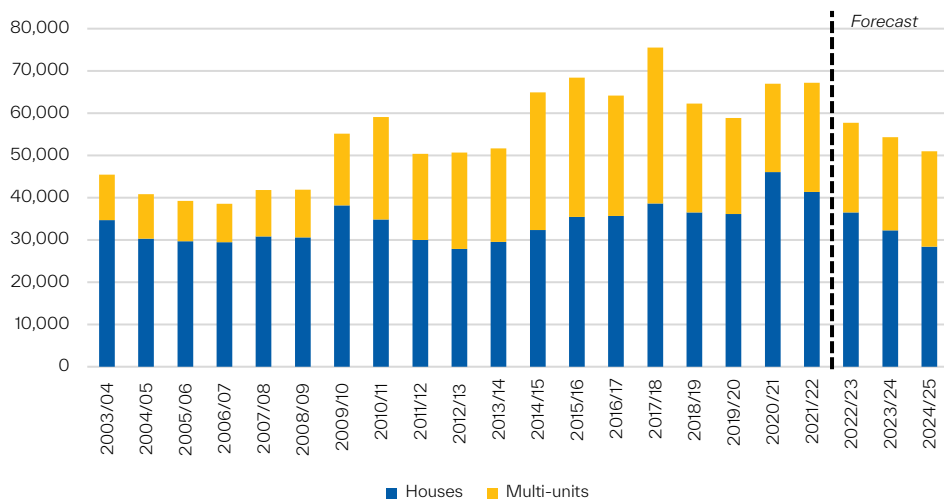
### Approvals



16,300 dwelling approvals were recorded in Q4 2022, up 7.9% from Q3. However, on an annualised basis - this is down 1%.

Source: Australian Bureau of Statistics

### Commencements

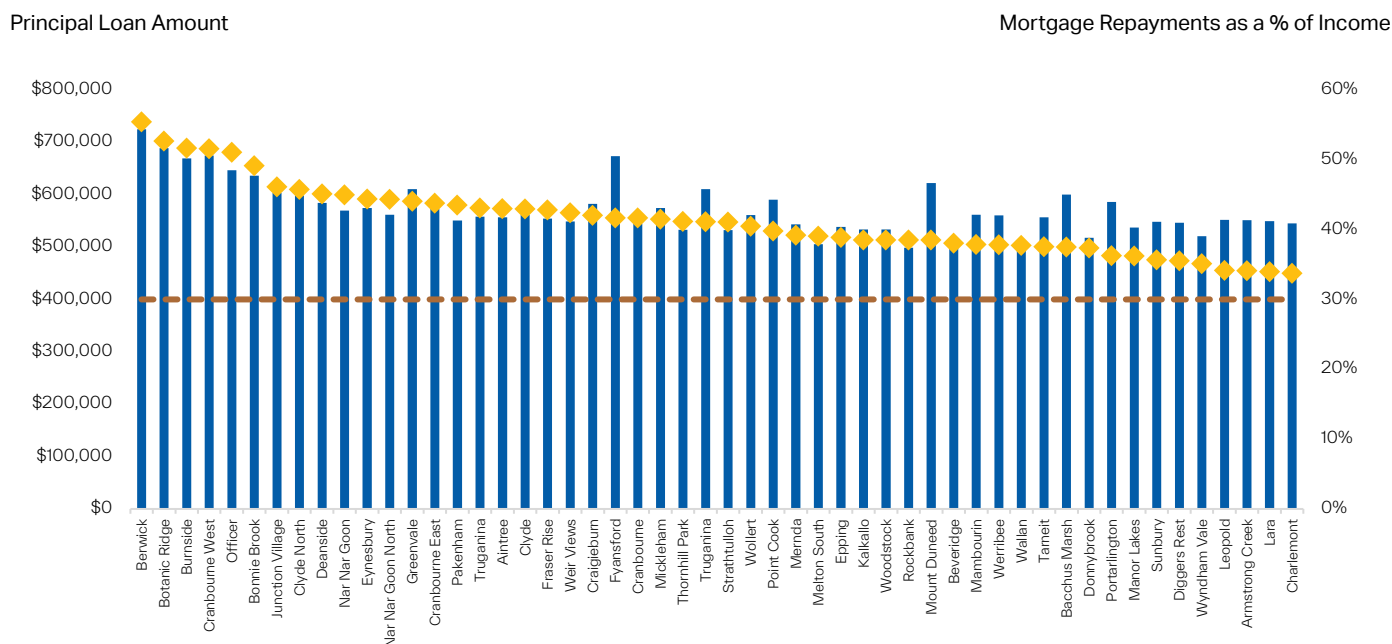


Commencements are anticipated to continue moderating, but at a slower rate (around 6% per annum) through to FY2025.

Source: Housing Industry Association



# Growth Area Affordability



Source: RBA, ATO & RPM Research, Data & Insights

Historically, the common benchmark for identifying housing stress in Australia has been identified as those that allocate at least 30% of disposable household income to finance their mortgage. This ratio has been in place for decades but recently, there is a growing view that the ratio should be closer to 35% to 40% to reflect today's market.

There are now 18 suburbs with a household income ratio between 35% and 39%, a level synonymous with the emergence of constrained affordability. This is down from 25 suburbs in Q3, with interest rate rises pushing additional suburbs into less affordable brackets.

The above chart depicts the median lot price in Q4 2022 by suburb, along with a median anticipated construction cost and net income by corridor. The median construction costs and incomes are taken from RPM's Internal Buyer Surveys. The construction costs range from \$293,750 (Mitchell) to \$400,000 (Moorabool) while income levels reflect net levels (i.e. after tax income) to provide a more accurate level of disposable income. In addition, the chart also assumes a 20% deposit has been paid and mortgage repayments are based on a 30 year loan at the discounted standard rate.

# Outlook

## Tailwinds

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### RE-OPENING OF STATE AND INTERNATIONAL BORDERS

Net overseas migration is a key driver of economic growth. Its return will boost economic activity and alleviate staff shortages across industries.



### TIGHT LABOUR MARKET TO UNDERPIN WAGE GROWTH

Wage growth is on the rise - up to the low 4.0%'s.



### MELBOURNE'S REPUTATION

Melbourne's reputation has remained in place. Students and investors are coming back.

## Headwinds

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### CONSUMER CONFIDENCE

Now at a lower level than during the pandemic, with affordability concerns at the centre of focus.



### ONGOING CONFLICT IN EASTERN EUROPE

May exacerbate supply chain issues, resulting in further inflationary pressures, particularly on oil.



### FURTHER CASH RATE RISES

RBA maintains tightening bias towards interest rates with inflation remaining well above target range of 2-3%.



### CONSTRUCTION COSTS

Although growth in construction costs is slowing, they will remain elevated and not go backwards.





RPM Group is a true industry leader, pioneering new benchmarks in market intelligence, know-how and innovation. With a proven track record since 1994, our unsurpassed market knowledge and data-driven insights have ensured our partners achieve excellent outcomes, and our clients, exceptional returns.

A full-service property business, we pride ourselves on customer service through every step of the process, from site diligence, acquisition and master-planning, through to launch, marketing and sales strategies. Our continued expansion and re-investment into our research services mean we offer unsurpassed market intelligence and data-driven insights to our clients, to help drive the continued growth of their projects and asset portfolio.

#### **AT A GLANCE**

- Victoria's leading residential development sales and marketing agency
- Full-service sales and marketing, research and advisory capability
- Unsurpassed track record of delivering outstanding returns for clients
- Unparalleled breadth and depth of research to optimise client decision making
- \$3 billion englobo land transactions
- 3,000 property sales in the last 12 months
- 40+ active projects
- 40,000+ total yield of current projects

# UDIA

These values will guide UDIA as we continue on our journey of growth and as we further solidify our long term, sustainable position as the urban development industry's association of choice.



## TRUST

Trusted by governments, regulators, industry, media and the public.



## COLLABORATION

Engage in genuine collaboration to yield positive community outcomes.



## RESPECT

Ethical conduct, and respect for people and the environment.



## RECOGNITION

Celebrate the good, hard work of Victoria's urban development industry.



## IMPACT

Work that makes a meaningful impact.



## INNOVATION

Embrace innovation while maintaining respect for our history.

The Victorian division of the Urban Development Institute of Australia (UDIA Victoria) is a non-profit, peak industry body. We are supported by a membership of land use and residential property development organisations, across the private sector and Victoria's public service.

Since 1975, UDIA Victoria has given industry a voice in the policy-making process. We tackle the issues having the biggest impact on Victoria's liveability – spanning topics such as the planning system, housing affordability, infrastructure, sustainability, employment and the economy.

Our suite of research and education initiatives ensures the urban development industry is best-placed to meet Victoria's housing, employment, and social needs.

Our events and annual awards program connect and celebrate the people who breathe life into Victoria's urban heartbeat.



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